

CLAIM AMENDMENTS

Claims 1-13 (withdrawn)

Claim 14 (canceled)

Claim 15 (currently amended): A system and method for the exchange for the trading of contracts based upon the volatility of an underlying, comprising performance of the following steps:

(a) creating at least one volatility contract for a predetermined term, with a predetermined formula for settlement price based on a realized formula, selected from the group consisting of:

$$(1) \quad S_{vol} = \sqrt{\frac{P}{n-1} \sum_{t=1}^n (R_t - \bar{R})^2}$$

wherein:

P = approximate number of trading periods in a calendar year, and each observation point "t" is taken at the same time in each trading period; and

\bar{R} = mean of all R_t 's;

$$(2) \quad S_{vol} = \sqrt{\frac{P_{hl}}{n} \sum_{t=1}^n (\ln \frac{h_t}{l_t})^2}$$

wherein:

P_{hl} = total number of trading periods in a year wherein two observations points " h_t " and " l_t " are used, and " h_t " is the high price point and " l_t " the low price point for each such trading period in that year; and

R_t = $f\{h_t, l_t\}$; and

$$(3) \quad S_{vol} = \sqrt{\frac{P_{obs}}{n} \sum_{t=1}^n [\frac{1}{2} (\ln \frac{h_t}{l_t})^2 - (2 \ln(2) - 1) (\ln \frac{a_t}{a_t})^2]}$$

wherein:

P_{ohlc} = total number of trading periods, wherein four observations points " h_t ", " l_t ", " c_t " and " o_t " are used, and " h_t " is the high price point, " l_t " the low price point, " c_t " is the closing, last or daily settlement price, and " o_t " the opening price for each such trading period;

R_t = f { h_t , l_t , c_t , o_t }; and

$$(4) \quad S_{vol} = \sqrt{\frac{P}{n} \sum_{t=1}^n R_t^2}$$

wherein:

P = approximate number of trading periods in a calendar year, and each observation point " t " is taken at the same time in each trading period; and

n = total number of observations within the term; and

R_t = return of the underlying based upon each of the observation points in time " t_n ";

(b) trading the at least one volatility contract at market-determined prices from creation through the date of expiration.

Claims 16 (canceled).

Claim 17 (currently amended): A computer implemented method for the creation and trading of financial instruments based upon the volatility of an underlying comprising the following steps:

(a) creating at least one volatility contract for a predetermined term, with a predetermined formula for settlement price based on a realized formula, selected from the group consisting of:

$$(1) \quad S_{vol} = \sqrt{\frac{P}{n-1} \sum_{t=1}^n (R_t - \bar{R})^2}$$

wherein:

P = approximate number of trading periods in a calendar year, and each observation point "t" is taken at the same time in each trading period; and

\bar{R} = mean of all R_t 's;

$$(2) \quad S_{vol} = \sqrt{\frac{P_H}{n} \sum_{t=1}^n (\ln \frac{H}{L})^2}$$

wherein:

P_H = total number of trading periods in a year wherein two observations points " h_t " and " l_t " are used, and " h_t " is the high price point and " l_t " the low price point for each such trading period in that year; and

R_t = f { h_t, l_t }; and

$$(3) \quad S_{vol} = \sqrt{\frac{P_{ohlc}}{n} \sum_{t=1}^n [\frac{1}{2}(\ln \frac{h_t}{l_t})^2 - (2 \ln(2) - 1)(\ln \frac{c_t}{o_t})^2]}$$

wherein:

P_{ohlc} = total number of trading periods, wherein four observations points " h_t ", " l_t ", " c_t " and " o_t " are used, and " h_t " is the high price point, " l_t " the low price point, " c_t " is the closing, last or daily settlement price, and " o_t " the opening price for each such trading period;

R_t = f { h_t, l_t, c_t, o_t }; and

$$(4) \quad S_{vol} = \sqrt{\frac{P}{n} \sum_{t=1}^n R_t^2}$$

wherein:

P = approximate number of trading periods in a calendar year, and each observation point "t" is taken at the same time in each trading period; and

n = total number of observations within the term; and

R_t = return of the underlying based upon each of the observation points in time " t_n ";

(b) trading the at least one volatility contract at market-determined prices from creation through the date of expiration.

\bar{R} Claims 18 (canceled).

Claim 19 (currently amended): A computer implement system for the creation, trading, and settlement of financial instruments based upon realized volatility, comprising:

(a) creating a volatility contract, by:

- (1) predetermining a realized volatility period;
- (2) predetermining a time during a trading period that observations

are taken;

- (3) predetermining an annualization factor; and
- (4) predetermining a formula for the calculation of realized volatility;

and

- (b) listing said volatility contract on an exchange;
- (c) trading said volatility contract on said exchange during an anticipatory

period and a realized volatility period;

(d) settling the volatility contract at expiration in accordance with the predetermined formula:

- (e) wherein the settlement price of the volatility contract is determined in accordance with a formula selected from the group consisting of:

(1)

wherein:

P = approximate number
of trading periods in a

$$S_{vol} = \sqrt{\frac{P}{n-1} \sum_{i=1}^n (R_i - \bar{R})^2}$$

calendar year, and each observation point "t" is taken at the same time in each trading period; and

= mean of all R_t 's;

$$(2) \quad S_{vol} = \sqrt{\frac{P_{hl}}{n} \sum_{t=1}^n (\ln \frac{h_t}{l_t})^2}$$

wherein:

P_{hl} = total number of trading periods in a year wherein two observations points " h_t " and " l_t " are used, and " h_t " is the high price point and " l_t " the low price point for each such trading period in that year; and

R_t = f { h_t, l_t }; and

$$(3) \quad S_{vol} = \sqrt{\frac{P_{ohlc}}{n} \sum_{t=1}^n [\frac{1}{2}(\ln \frac{h_t}{l_t})^2 - (2 \ln(2) - 1)(\ln \frac{c_t}{o_t})^2]}$$

wherein:

P_{ohlc} = total number of trading periods, wherein four observations points " h_t ", " l_t ", " c_t " and " o_t " are used, and " h_t " is the high price point, " l_t " the low price point, " c_t " is the closing, last or daily settlement price, and " o_t " the opening price for each such trading period;

R_t = f { h_t, l_t, c_t, o_t }; and

$$(4) \quad S_{vol} = \sqrt{\frac{P}{n} \sum_{t=1}^n R_t^2}$$

wherein:

P = approximate number of trading periods in a calendar year, and each observation point "t" is taken at the same time in each trading period; and

n = total number of observations within the term; and

R_t = return of the underlying based upon each of the observation points in time " t_n ".